

# **Jefferson Area Local School District**

**Basic Financial Statements  
June 30, 2006**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Jefferson Area Local School District  
45 East Satin Street  
Jefferson, Ohio 44047-1416

We have reviewed the *Independent Auditors' Report* of the Jefferson Area Local School District, Ashtabula County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jefferson Area Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 25, 2010

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# Jefferson Area Local School District

For The Year Ended June 30, 2006

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# Jefferson Area Local School District

For The Year Ended June 30, 2006

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## Independent Auditors' Report

Board of Education  
Jefferson Area Local School District  
Jefferson, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area City School District (the "District"), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area City School District, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, during the year ended June 30, 2006, the District implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* and GASB Statement No. 47, *Accounting for Termination Benefits*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education  
Jefferson Area City School District

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Cioni & Paricki, Inc.*

Cleveland, Ohio  
March 29, 2010



**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

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This discussion and analysis of Jefferson Area Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2006 are as follows:

- In total, net assets increased by \$16,877,183, which represents an increase of over 245 percent from fiscal year 2005.
- Revenues for governmental activities totaled \$34,267,227 in fiscal year 2006. Of this total, 95.4 percent consisted of general revenues while program revenues accounted for the balance of 4.6 percent.
- Program expenses totaled \$17,390,044. Instructional expenses made up 51.3 percent of this total while support services accounted for 36.4 percent. Other expenses rounded out the remaining 12.3 percent.
- The District's major governmental funds are the general fund and the building and classroom facilities capital projects funds. The general fund had \$15,269,768 in revenues and \$14,257,765 in expenditures. During fiscal year 2006, the general fund's fund balance increased \$994,568 from \$2,627,952 to \$3,622,520.
- The District's other major governmental funds are the building and classroom facilities capital projects funds. The building fund had \$14,576,863 in revenues and other financing sources and \$1,259,547 in expenditures and other financing uses. The building fund balance increased \$13,317,316 during fiscal year 2006. The classroom facilities fund had \$25,246,793 in revenues and other financing sources and \$15,072,066 in expenditures and other financing uses. The classroom facilities fund was created during fiscal year 2006 to account for the School District's new school construction project.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand Jefferson Area Local School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Jefferson Area Local School District, the general fund and the building and classroom facilities capital projects funds are the most significant.

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

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**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in fiscal year 2006?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District.

In the Statement of Net Assets and the Statement of Activities, all activities of the School District are classified as governmental. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

**Reporting the School District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the building and classroom facilities capital projects funds.

**Governmental Funds** Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
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**Fiduciary Funds** The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in private purpose trust and agency funds. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

**Table 1**  
Net Assets  
Governmental Activities

	2006	2005	Change
<b>Assets</b>			
Current and Other Assets	\$47,772,355	\$10,147,317	\$37,625,038
Capital Assets	5,335,197	4,605,101	730,096
<i>Total Assets</i>	<u>53,107,552</u>	<u>14,752,418</u>	<u>38,355,134</u>
<b>Liabilities</b>			
Current Liabilities	5,601,692	6,233,687	(631,995)
Long-Term Liabilities			
Due within One Year	979,982	125,247	854,735
Due in More than One Year	22,787,504	1,532,293	21,255,211
<i>Total Liabilities</i>	<u>29,369,178</u>	<u>7,891,227</u>	<u>21,477,951</u>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	4,058,288	4,206,905	(148,617)
Restricted	17,612,704	665,944	16,946,760
Unrestricted	2,067,382	1,988,342	79,040
<i>Total Net Assets</i>	<u>\$23,738,374</u>	<u>\$6,861,191</u>	<u>\$16,877,183</u>

Total assets increased by \$38,355,134. The majority of this increase can be attributed to proceeds of Ohio School Facilities monies being received but not spent as of June 30, 2006. Intergovernmental receivable also increased significantly at fiscal year-end due to the accrual of Ohio School Facilities grant monies not yet received.

Total liabilities increased by \$21,477,951. The majority of this increase was due to the issuance of the Ohio School Facilities bonds in the amount of \$20,949,979, to help pay the School District's portion of the new school construction project.

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$16,877,183.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$32,676,385 or 95.4 percent of the total revenue. The most significant portion of general revenue for fiscal year 2006 was grants received from the Ohio School Facilities Commission. The amount of revenue received in the form of program revenues was \$1,590,842.

**Jefferson Area Local School District**  
Ashtabula County, Ohio

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Table 2 shows the changes in net assets for fiscal year 2006.

**Table 2**  
Change in Net Assets  
Governmental Activities

	2006	2005	Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$834,343	\$731,311	\$103,032
Operating Grants and Contributions	734,867	679,957	54,910
Capital Grants and Contributions	21,632	26,123	(4,491)
<i>Total Program Revenues</i>	<u>1,590,842</u>	<u>1,437,391</u>	<u>153,451</u>
<b>General Revenues</b>			
Property Taxes	6,886,257	5,802,596	1,083,661
Intergovernmental	24,576,888	8,968,344	15,608,544
Investment Earnings	750,172	66,581	683,591
Miscellaneous	253,392	228,346	25,046
Other Financing Sources	209,676	0	209,676
<i>Total General Revenues</i>	<u>32,676,385</u>	<u>15,065,867</u>	<u>17,610,518</u>
<i>Total Revenues</i>	<u>34,267,227</u>	<u>16,503,258</u>	<u>17,763,969</u>
<b>Program Expenses</b>			
Current:			
Instruction	8,920,767	9,256,048	(335,281)
Support Services:			
Pupils	1,463,978	1,369,010	94,968
Instructional Staff	184,675	165,281	19,394
Board of Education	14,714	12,301	2,413
Administration	1,135,226	1,037,013	98,213
Fiscal	441,038	571,149	(130,111)
Business	12,562	14,015	(1,453)
Operation and Maintenance of Plant	1,684,644	1,832,316	(147,672)
Pupil Transportation	1,293,969	1,021,444	272,525
Central	107,096	156,016	(48,920)
Operation of Non-Instructional Services	123,018	110,468	12,550
Operation of Food Services	713,818	492,287	221,531
Extracurricular Activities	429,343	375,900	53,443
Interest and Fiscal Charges	865,196	19,699	845,497
<i>Total Program Expenses</i>	<u>17,390,044</u>	<u>16,432,947</u>	<u>957,097</u>
<i>Increase in Net Assets</i>	16,877,183	70,311	16,806,872
Net Assets Beginning of Year	6,861,191	6,790,880	70,311
<i>Net Assets End of Year</i>	<u>\$23,738,374</u>	<u>\$6,861,191</u>	<u>\$16,877,183</u>

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

**Governmental Activities**

Net assets of the District's governmental activities increased \$16,877,183. Total governmental expenses of \$17,390,044 were offset by program revenues of \$1,590,842 and general revenues of \$32,676,385. Program revenues supported 9.1 percent of total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 91.8 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$8,920,767 or 51.3 percent of total governmental expenses for fiscal year 2006.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**  
Total and Net Cost of Program Services  
Governmental Activities

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$7,496,464	\$7,207,665	\$7,824,549	\$7,440,344
Special	1,287,827	1,017,361	1,247,837	980,210
Vocational	136,476	133,191	183,662	183,662
Support Services:				
Pupils	1,463,978	1,421,936	1,369,010	1,357,607
Instructional Staff	184,675	139,692	165,281	142,853
Board of Education	14,714	14,359	12,301	12,301
Administration	1,135,226	1,092,411	1,037,013	1,028,250
Fiscal	441,038	430,945	571,149	571,149
Business	12,562	12,259	14,015	14,015
Operation and Maintenance of Plant	1,684,644	1,649,318	1,832,316	1,831,715
Pupil Transportation	1,293,969	1,264,009	1,021,444	995,321
Central	107,096	85,844	156,016	147,016
Operation of Non-Instructional Services	123,018	88,183	110,468	(8,488)
Food Service Operation	713,818	16,424	492,287	(37,825)
Extracurricular Activities	429,343	360,409	375,900	317,727
Interest and Fiscal Charges	865,196	865,196	19,699	19,699
<b>Total Expenditures</b>	<b>\$17,390,044</b>	<b>\$15,799,202</b>	<b>\$16,432,947</b>	<b>\$14,995,556</b>

The dependence upon property taxes and other general revenues for governmental activities is apparent. More than 77 percent of instruction activities are supported through property taxes. The District's taxpayers, as a whole, are by far the primary support for the District's students.

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2006*  
*Unaudited*

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**The School District's Funds**

Information regarding the School District's major funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, excluding other financing sources, of \$21,939,879 to offset expenditures, excluding other financing uses, of \$18,155,833. The net change in fund balance for the year was most significant in the building capital projects fund, which increased \$13,317,316. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental revenues and property taxes are the largest revenue sources, accounting for more than 58 percent and 32 percent respectively, of total governmental revenue. Clearly, the community is a great source of financial support for the students of the Jefferson Area Local School District.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the main operating fund of the School, the general fund.

During the course of fiscal year 2006, the School District amended its general fund budget several times. For the general fund, original and final budgeted revenues were \$14,941,366 and \$14,970,398, respectively. Actual revenues for fiscal year 2006 were \$15,146,429. This represents an increase of \$205,063 over original revenues and \$176,031 over final budgeted revenues.

General fund original appropriations were \$15,324,143 and final appropriations were \$15,382,090. The actual expenditures for fiscal year 2006 totaled \$15,068,994, which was \$313,096 lower than final budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2006, the School District had \$5,335,197 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2006 balances compared to fiscal year 2005:

**Table 4**  
Capital Assets at June 30 (Net of Depreciation)

	<u>2006</u>	<u>2005</u>
Land	\$831,301	\$540,800
Construction in Progress	639,489	0
Land Improvements	268,414	289,534
Buildings and Improvements	2,274,464	2,542,017
Furniture and Equipment	571,784	602,526
Vehicles	749,745	630,224
<i>Total</i>	<u>\$5,335,197</u>	<u>\$4,605,101</u>

**Jefferson Area Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2006  
Unaudited*

All capital assets, except land and construction in progress, are reported net of depreciation. The overall increase in capital assets of \$730,096 is due to District's purchase of land and the start of construction on its new school buildings. Depreciation expense of \$393,524 offset capital outlays of \$1,128,628 during the fiscal year. For more information about the School District's capital assets, see Note 8 to the basic financial statements.

**Debt**

Table 5 summarizes the School District's long-term obligations outstanding at fiscal year end.

**Table 5**  
Outstanding Debt at Year End

	<u>2006</u>	<u>2005</u>
Ohio School Facilities Bonds	\$21,270,817	\$0
Capital Appreciation Bonds	689,979	0
Accretion on Capital Appreciation Bonds	44,546	0
1991 Asbestos Removal Note	16,919	28,196
1998 Energy Conservation Note	<u>330,000</u>	<u>370,000</u>
<i>Total</i>	<u><u>\$22,352,261</u></u>	<u><u>\$398,196</u></u>

During fiscal year 2006, the District issued Ohio School Facilities bonds to pay its share of the school construction project. The total liability booked for this issuance including the premium, capital appreciation bonds and accretion was \$22,005,342. Of the total outstanding debt, \$871,276 is due within one year and the rest is due within more than one year. For more information about the School District's debt, see Note 14 to the basic financial statements.

**Current Financial Issues**

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May 2001, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

## **Jefferson Area Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
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During the fiscal year, the District addressed the challenge of developing an overall facilities plan by entering into an agreement with Ohio Schools Facilities Commission to construct new school buildings. Under the terms of the agreement, the District will construct two new elementary schools, one junior/senior high school and one auditorium. The total cost of this project will be shared by the District and the State of Ohio, with each paying a percentage amounting to 32 and 68 percent respectively for the elementary schools and 33 and 67 percent respectively for the junior/senior school. 100 percent of the cost of the auditorium will be paid by the School District. During fiscal year 2006, the District issued, and the voters passed, a nearly 21 million dollar bond issue to allow the District to pay for its share of the project.

### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Edward R. Williams, Treasurer, Jefferson Area Local School District, 45 East Satin Street, Jefferson, Ohio 44047-1416.



# Jefferson Area Local School District

Ashtabula County, Ohio

## Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$27,464,883
Intergovernmental Receivable	12,475,232
Property Taxes Receivable	7,545,404
Inventory Held for Resale	10,021
Materials and Supplies Inventory	4,864
Prepaid Items	45,976
Unamortized Bond Issuance Costs	225,975
Nondepreciable Capital Assets	1,470,790
Depreciable Capital Assets, Net	3,864,407
<i>Total Assets</i>	<u>53,107,552</u>
<b>Liabilities</b>	
Accounts Payable	123,801
Accrued Wages and Benefits Payable	682,253
Intergovernmental Payable	362,074
Matured Compensated Absences Payable	62,528
Accrued Interest Payable	79,083
Deferred Revenue	4,291,953
Long-Term Liabilities:	
Due Within One Year	979,982
Due In More Than One Year	22,787,504
<i>Total Liabilities</i>	<u>29,369,178</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	4,058,288
Restricted for:	
Capital Projects	15,777,789
Debt Service	1,260,028
Other Purposes	153,089
Set-asides	420,596
Scholarships	1,202
Unrestricted	2,067,382
<i>Total Net Assets</i>	<u>\$23,738,374</u>

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Statement of Activities*  
For the Fiscal Year Ended June 30, 2006

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$7,496,464	\$201,098	\$87,701	\$0	(\$7,207,665)
Special	1,287,827	25,146	245,320	0	(1,017,361)
Vocational	136,476	3,285	0	0	(133,191)
Support Services:					
Pupils	1,463,978	37,884	4,158	0	(1,421,936)
Instructional Staff	184,675	2,307	21,044	21,632	(139,692)
Board of Education	14,714	355	0	0	(14,359)
Administration	1,135,226	26,788	16,027	0	(1,092,411)
Fiscal	441,038	10,093	0	0	(430,945)
Business	12,562	303	0	0	(12,259)
Operation and Maintenance of Plant	1,684,644	35,326	0	0	(1,649,318)
Pupil Transportation	1,293,969	29,960	0	0	(1,264,009)
Central	107,096	2,336	18,916	0	(85,844)
Operation of Non-Instructional Services	123,018	34,835	0	0	(88,183)
Operation of Food Services	713,818	355,693	341,701	0	(16,424)
Extracurricular Activities	429,343	68,934	0	0	(360,409)
Interest and Fiscal Charges	865,196	0	0	0	(865,196)
<i>Total Governmental Activities</i>	<u>\$17,390,044</u>	<u>\$834,343</u>	<u>\$734,867</u>	<u>\$21,632</u>	<u>(15,799,202)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
					5,106,313
					1,342,544
					344,759
					92,641
					24,576,888
					750,172
					253,392
					209,676
<i>Total General Revenues</i>					<u>32,676,385</u>
					16,877,183
<i>Net Assets Beginning of Year</i>					6,861,191
<i>Net Assets End of Year</i>					<u>\$23,738,374</u>

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2006*

	General	Building Fund	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,975,165	\$13,572,514	\$10,282,807	\$1,213,801	\$27,044,287
Interfund Receivable	49,407	0	0	0	49,407
Intergovernmental Receivable	0	0	12,421,046	54,186	12,475,232
Property Taxes Receivable	5,662,072	0	0	1,883,332	7,545,404
Inventory Held for Resale	0	0	0	10,021	10,021
Materials and Supplies Inventory	0	0	0	4,864	4,864
Prepaid Items	45,976	0	0	0	45,976
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	420,596	0	0	0	420,596
<b>Total Assets</b>	<b>\$8,153,216</b>	<b>\$13,572,514</b>	<b>\$22,703,853</b>	<b>\$3,166,204</b>	<b>\$47,595,787</b>
<b>Liabilities</b>					
Accounts Payable	\$14,803	\$0	\$108,080	\$918	\$123,801
Accrued Wages and Benefits Payable	639,729	0	0	42,524	682,253
Intergovernmental Payable	340,883	0	0	21,191	362,074
Matured Compensated Absences Payable	62,199	0	0	329	62,528
Interfund Payable	0	0	0	49,407	49,407
Deferred Revenue	3,473,082	0	12,421,046	1,171,806	17,065,934
<b>Total Liabilities</b>	<b>4,530,696</b>	<b>0</b>	<b>12,529,126</b>	<b>1,286,175</b>	<b>18,345,997</b>
<b>Fund Balances</b>					
Reserved for Encumbrances	144,533	232,667	332,772	6,589	716,561
Reserved for Textbooks	418,674	0	0	0	418,674
Reserved for Budget Stabilization	1,922	0	0	0	1,922
Reserved for Contributions	0	0	0	1,043	1,043
Reserved for Property Taxes	2,188,990	0	0	711,526	2,900,516
Unreserved:					
Undesignated, Reported in:					
General Fund	868,401	0	0	0	868,401
Special Revenue Funds	0	0	0	203,699	203,699
Debt Service Funds	0	0	0	743,107	743,107
Capital Projects Funds	0	13,339,847	9,841,955	213,906	23,395,708
Permanent Fund	0	0	0	159	159
<b>Total Fund Balances</b>	<b>3,622,520</b>	<b>13,572,514</b>	<b>10,174,727</b>	<b>1,880,029</b>	<b>29,249,790</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$8,153,216</b>	<b>\$13,572,514</b>	<b>\$22,703,853</b>	<b>\$3,166,204</b>	<b>\$47,595,787</b>

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**

Ashtabula County, Ohio

*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2006*

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<b>Total Governmental Fund Balances</b>	<b>\$29,249,790</b>
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***Amounts reported for governmental activities in the  
statement of net assets are different because***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,335,197
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Property Taxes	\$352,935
School Facilities Monies	<u>12,421,046</u>

Total	12,773,981
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In the statement of net assets, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	225,975
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(79,083)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Classroom Facilities Bonds	(20,260,000)
Premium on Bonds Issued	(1,010,817)
Capital Appreciation Bonds	(689,979)
Accretion on Capital Appreciation Bond	(44,546)
Long-Term Notes	(346,919)
Compensated Absences	<u>(1,415,225)</u>

Total	<u>(23,767,486)</u>
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<b><i>Net Assets of Governmental Activities</i></b>	<b><u><u>\$23,738,374</u></u></b>
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See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2006*

	General	Building Fund	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$5,456,105	\$0	\$0	\$1,722,816	\$7,178,921
Tuition and Fees	372,459	0	0	20,118	392,577
Interest	118,331	37,093	584,019	10,729	750,172
Charges for Services	0	0	0	355,693	355,693
Extracurricular Activities	0	0	0	93,416	93,416
Rentals	650	0	0	0	650
Intergovernmental	9,089,939	0	2,955,522	869,597	12,915,058
Miscellaneous	232,284	2,917	0	18,191	253,392
<i>Total Revenues</i>	<u>15,269,768</u>	<u>40,010</u>	<u>3,539,541</u>	<u>3,090,560</u>	<u>21,939,879</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	7,388,767	0	0	189,496	7,578,263
Special	840,876	0	0	309,052	1,149,928
Vocational	134,631	0	0	0	134,631
Support Services:					
Pupils	1,352,937	0	0	6,635	1,359,572
Instructional Staff	94,551	0	0	46,654	141,205
Board of Education	14,535	0	0	0	14,535
Administration	1,004,195	0	0	23,040	1,027,235
Fiscal	474,382	0	0	21,314	495,696
Business	12,409	0	0	0	12,409
Operation and Maintenance of Plant	1,310,420	0	0	93,848	1,404,268
Pupil Transportation	1,072,647	0	0	67,721	1,140,368
Central	95,711	0	0	10,080	105,791
Operation of Non-Instructional Services	83,011	0	0	36,476	119,487
Operation of Food Services	0	0	0	672,499	672,499
Extracurricular Activities	361,034	0	0	57,603	418,637
Capital Outlay	17,659	506,116	800,764	0	1,324,539
Debt Service:					
Principal Retirement	0	0	0	51,277	51,277
Interest and Fiscal Charges	0	0	0	771,368	771,368
Bond Issuance Costs	0	0	234,125	0	234,125
<i>Total Expenditures</i>	<u>14,257,765</u>	<u>506,116</u>	<u>1,034,889</u>	<u>2,357,063</u>	<u>18,155,833</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,012,003</u>	<u>(466,106)</u>	<u>2,504,652</u>	<u>733,497</u>	<u>3,784,046</u>
<b>Other Financing Sources (Uses)</b>					
Premium on Bonds Issued	0	0	1,047,273	0	1,047,273
Proceeds of Bonds	0	290,000	20,659,979	0	20,949,979
Other Financing Sources	0	209,676	0	0	209,676
Transfers In	0	14,037,177	0	808,600	14,845,777
Transfers Out	(17,435)	(753,431)	(14,037,177)	(37,734)	(14,845,777)
<i>Total Other Financing Sources (Uses)</i>	<u>(17,435)</u>	<u>13,783,422</u>	<u>7,670,075</u>	<u>770,866</u>	<u>22,206,928</u>
<i>Net Change in Fund Balances</i>	994,568	13,317,316	10,174,727	1,504,363	25,990,974
<i>Fund Balances Beginning of Year</i>	2,627,952	255,198	0	375,666	3,258,816
<i>Fund Balances End of Year</i>	<u>\$3,622,520</u>	<u>\$13,572,514</u>	<u>\$10,174,727</u>	<u>\$1,880,029</u>	<u>\$29,249,790</u>

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2006*

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**Net Change in Fund Balances - Total Governmental Funds** \$25,990,974

***Amounts reported for governmental activities in the  
statement of activities are different because***

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	\$1,128,628
Current Year Depreciation	<u>(393,524)</u>

Total	735,104
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The net effect of various transactions involving capital assets (i.e.; disposals, sales and donations) is a reduction in net assets.

Assets Disposed	(143,283)
Accumulated Depreciation on Disposals	<u>138,275</u>

Total	(5,008)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(292,664)
School Facilities Monies	12,421,046
Intergovernmental Revenue	(2,717)
Tuition and Fees Revenue	<u>(7,993)</u>

Total	12,117,672
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Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

51,277

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.

234,125

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due. The additional interest reported on the statement of activities is due to the following:

Accrued Interest on Bonds	(77,588)
Accreted Interest on Bonds	(44,546)
Amortization of Bond Issuance Premium	36,456
Amortization of Bond Issuance Costs	<u>(8,150)</u>

Total	(93,828)
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Some expenses reported in the statement of activities, such as compensated absences payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(155,881)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets:

Classroom Facilities Bonds	(20,949,979)
Bond Premium	<u>(1,047,273)</u>

Total	<u>(21,997,252)</u>
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*Change in Net Assets of Governmental Activities:* \$16,877,183

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$5,411,288	\$5,419,630	\$5,327,864	(\$91,766)
Tuition and Fees	252,198	252,587	372,459	119,872
Interest	66,479	66,581	118,331	51,750
Rentals	600	601	650	49
Contributions and Donations	499	500	0	(500)
Intergovernmental	9,000,767	9,014,642	9,094,841	80,199
Miscellaneous	209,535	209,858	232,284	22,426
<i>Total Revenues</i>	<u>14,941,366</u>	<u>14,964,399</u>	<u>15,146,429</u>	<u>182,030</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,655,070	7,729,767	7,569,196	160,571
Special	1,010,349	996,749	955,868	40,881
Vocational	187,392	187,392	136,921	50,471
Support Services:				
Pupils	1,455,220	1,457,656	1,450,392	7,264
Instructional Staff	135,093	141,771	98,807	42,964
Board of Education	12,319	16,609	16,172	437
Administration	1,055,141	1,063,472	1,061,387	2,085
Fiscal	569,973	573,270	579,225	(5,955)
Business	15,915	12,915	12,409	506
Operation and Maintenance of Plant	1,517,679	1,490,282	1,444,585	45,697
Pupil Transportation	1,096,072	1,109,832	1,112,097	(2,265)
Central	147,041	135,496	109,789	25,707
Operation of Non-Instructional Services	75,658	76,309	74,563	1,746
Extracurricular Activities	324,077	324,077	363,082	(39,005)
Capital Outlay	17,150	17,150	17,659	(509)
<i>Total Expenditures</i>	<u>15,274,149</u>	<u>15,332,747</u>	<u>15,002,152</u>	<u>330,595</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(332,783)</u>	<u>(368,348)</u>	<u>144,277</u>	<u>512,625</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	0	5,999	0	(5,999)
Advances Out	0	0	(49,407)	(49,407)
Transfers Out	(49,994)	(49,343)	(17,435)	31,908
<i>Total Other Financing Sources (Uses)</i>	<u>(49,994)</u>	<u>(43,344)</u>	<u>(66,842)</u>	<u>(23,498)</u>
<i>Net Change in Fund Balance</i>	<u>(382,777)</u>	<u>(411,692)</u>	<u>77,435</u>	<u>489,127</u>
<i>Fund Balance Beginning of Year</i>	<u>2,058,690</u>	<u>2,058,690</u>	<u>2,058,690</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>114,625</u>	<u>114,625</u>	<u>114,625</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,790,538</u>	<u>\$1,761,623</u>	<u>\$2,250,750</u>	<u>\$489,127</u>

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2006*

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	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$10,271	<u>\$38,795</u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$38,795</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$10,271</u>	

See accompanying notes to the basic financial statements



**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2006*

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	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$214
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>300</u>
<i>Change in Net Assets</i>	(86)
<i>Net Assets Beginning of Year</i>	<u>10,357</u>
<i>Net Assets End of Year</i>	<u><u>\$10,271</u></u>

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2006*

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**Note 1 – Description of the School District and Reporting Entity**

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District employed 151 certified employees and 106 non-certificated employees. The District is supervised by the Ashtabula County Educational Service Center, a separate entity.

The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2006*

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**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the Jefferson Area Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standard Board (FASB) statements and interpretations issued after November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**A. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary funds.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

Building Fund – This fund was established pursuant to Section 5705.09, Ohio revised Code, and is used to account for the receipts and expenditures related to the bond issue of the District. Expenditures recorded in this fund represent the costs of acquiring capital facilities, including real property.

Classroom Facilities Fund – This fund was established pursuant to Sections 3318.080 and 3318.15, Ohio Revised Code, and accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose uses are restricted to a particular purpose.

**Fiduciary Fund Types** Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust, investment trust, private-purpose trust and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust fund which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activity programs for students.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2006*

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***B. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The trust fund is reported using the economic resources measurement focus.

***C. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal values, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2006*

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requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***D. Budget and Budgetary Accounting***

All governmental fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the basic financial statements:

**Tax Budget** A tax budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**Estimated Resources** The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources, which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.

**Jefferson Area Local School District**  
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**Appropriations** An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.

**Encumbrances** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**Lapsing of Appropriations** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**E. Cash and Investments**

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year, all investments were limited to Federal agency bonds and notes and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, the Auxiliary Services special revenue fund, the Permanent Fund, the Building and Classroom Facilities capital projects funds and the Private-Purpose Trust Fund, as authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$118,331, which includes \$2,389 assigned from other District funds.

**F. Inventories**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expenditure is reported in the year in which services are consumed.

**Jefferson Area Local School District**  
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**H. Restricted Assets**

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for budget stabilization and the purchase of textbooks. See Note 18 for additional information regarding set asides.

**I. Capital Assets**

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years

**J. Interfund Balances**

On the fund financial statements, receivables and payables resulting short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental columns of the statement of net assets.

**K. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid from them are not presented on the financial statements.

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***L. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees with at least ten years of service.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

***M. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

***N. Fund Balance Reserves***

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, textbooks, budget stabilization, contributions and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The net assets held in trust for scholarships signify the legal restrictions on the use of principal.

***O. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those



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assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$17,612,704, of which none is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***P. Bond Issuance Costs***

Bond issuance costs for underwriting fees and bond insurance for the classroom facilities bonds are being amortized using the straight line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective interest method. On governmental fund statements bond issuance costs are expended in the year the bonds are issued.

***Q. Bond Premium***

On the government wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are received in the year the bonds are issued.

***R. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

***S. Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 – Budgetary Basis of Accounting**

While the School District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
  3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for (GAAP basis).
  4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance	
GAAP Basis	\$994,568
Net Adjustment for Revenue Accruals	(123,339)
Advances Out	(49,407)
Net Adjustment for Expenditure Accruals	(599,376)
Adjustment for Encumbrances	(145,011)
Budget Basis	<u><u>\$77,435</u></u>

**Note 4 – Change in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”, GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation”, and GASB Statement No. 47, “Accounting for Termination Benefits”.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. This statement also requires governments to disclose in the notes to the basic financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on fund balances and net assets of the District as previously reported at June 30, 2005.

**Note 5 – Cash and Investments**

Monies held by the School District are classified by State statute into three categories. Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawals on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local government;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

### **Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end the carrying amount of the District's deposits was \$5,266,033, and \$4,990,137 of the School District's bank balance of \$5,090,137 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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The School District has no deposit policy for custodial risk beyond the requirement of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred give percent of the deposited being secured.

**Investments**

As of June 30, 2006, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
Catergorized Investments:		
Repurchase Agreements	\$25,060	Six Months or Less
Government & Agency Mutual Funds	472,856	Seven to Twelve Months
Federal Home Loan Bank	16,750,000	Six Months or Less
Federal Home Loan Bank	2,000,000	Seven to Twelve Months
Federal Home Loan Mortgage Corporation	3,000,000	Six Months or Less
Total Investments	<u>\$22,247,916</u>	

*Interest Rate Risk* The School District has no investment policy that addresses the interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

*Credit Risk* The Federal Home Loan Bank bonds and the Federal Home Loan Mortgage Corporation notes all carry a rating of AAA by Standard & Poor's. The School District has no investment policy that would further limit its investment choices.

*Custodial Credit Risk* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements, Federal Home Loan Bank bonds and the Federal Home Loan Mortgage Corporation notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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*Concentration of Credit Risk* The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2006:

<u>Investment</u>	<u>Percentage of Investment</u>
Repurchase Agreements	0.11%
Government & Agency Mutual Funds	2.13%
Federal Home Loan Bank	84.28%
Federal Home Loan Mortgage Corporation	<u>13.48%</u>
Total	<u>100.00%</u>

**Note 6 – Property Tax**

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school district in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Ashtabula County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$2,188,990 in the general fund, \$527,596 in the bond retirement debt service fund and \$183,930 in the permanent improvement capital projects fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$188,282,680	87.0%	\$209,155,730	88.4%
Public Utility Personal	12,611,110	5.8%	12,047,580	5.1%
General Business Personal	15,600,930	7.2%	15,370,470	6.5%
	\$216,494,720	100.0%	\$236,573,780	100.0%
Tax Rate per \$1,000 of assessed valuation	\$43.61		\$54.73	

**Note 7 – Receivables**

Receivables at June 30, 2006 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

Major Governmental Funds:	
Ohio Schools Facilities Commission	\$12,421,046
Non-major Governmental Funds:	
Federal Lunchroom Subsidy	38,027
Drug Free Schools Grant	1,582
Reducing Class Size Grant	14,577
Total Intergovernmental Receivable	\$12,475,232

The School District entered into an agreement with the Ohio Schools Facilities Commission to construct three new school buildings and an auditorium. The State share receivable on the project as of June 30, 2006 is \$12,421,046.

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**Note 8 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance 7/1/2005	Additions	Deletions	Balance 6/30/2006
<b>Governmental Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$540,800	\$290,501	\$0	\$831,301
Construction in Progress	0	639,489	0	639,489
<b>Total Capital Assets, not being depreciated:</b>	<b>540,800</b>	<b>929,990</b>	<b>0</b>	<b>1,470,790</b>
<b>Capital Assets, being depreciated:</b>				
Land Improvements	900,495	0	0	900,495
Buildings and Improvements	6,359,710	0	(7,043)	6,352,667
Furniture, Equipment and Fixtures	1,414,506	76,574	(136,240)	1,354,840
Vehicles	1,449,372	122,064	0	1,571,436
<b>Total Capital Assets, being depreciated:</b>	<b>10,124,083</b>	<b>198,638</b>	<b>(143,283)</b>	<b>10,179,438</b>
Less Accumulated Depreciation:				
Land Improvements	(610,961)	(21,120)	0	(632,081)
Buildings and Improvements	(3,817,693)	(262,545)	2,035	(4,078,203)
Furniture, Equipment and Fixtures	(811,980)	(107,316)	136,240	(783,056)
Vehicles	(819,148)	(2,543)	0	(821,691)
<b>Total Accumulated Depreciation</b>	<b>(6,059,782)</b>	<b>(393,524)</b>	<b>138,275</b>	<b>(6,315,031)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>4,064,301</b>	<b>(194,886)</b>	<b>(5,008)</b>	<b>3,864,407</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$4,605,101</b>	<b>\$735,104</b>	<b>(\$5,008)</b>	<b>\$5,335,197</b>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$24,710
Vocational	184
Support Services:	
Pupil	344
Instructional Staff	41,728
Administration	1,042
Operation and Maintenance of Plant	211,426
Pupil Transportation	104,343
Operation of Non-Instructional Services	3,075
Operation of Food Services	1,131
Extracurricular Activities	5,541
<b>Total Depreciation Expense</b>	<b>\$393,524</b>

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**Note 9 – Interfund Balances**

**A. Interfund Transfers**

Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers To	Transfers From				Total
	General	Building	Classroom Facilities	Nonmajor Governmental Funds	
Building	\$0	\$0	\$14,037,177	\$0	\$14,037,177
Nonmajor Governmental Funds	17,435	753,431	0	37,734	808,600
<b>Total</b>	<b>\$17,435</b>	<b>\$753,431</b>	<b>\$14,037,177</b>	<b>\$37,734</b>	<b>\$14,845,777</b>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Transfers are also used to close out the funds that are no longer required.

**B. Interfund Receivable/Payable**

The interfund receivable/payable consisted of the following at June 30, 2006, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$49,407	\$0
Non-major Governmental Funds:		
Title I	0	43,511
Drug Free Schools	0	1,582
Miscellaneous Federal Grants	0	4,314
	<b>\$49,407</b>	<b>\$49,407</b>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

**Note 10 – Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. For fiscal year 2006, the superintendent was granted twenty days of vacation and the Treasurer is granted fifteen days of vacation.



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Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Any vacation time which is unused as of the employee's anniversary date is expired and not available for use in a subsequent year unless approved by the superintendent. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years of Service</u>	<u>Vacation Days</u>
1-3	10
4-7	15
8-Beyond	20

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis; classified employees, 300 days and certified employees, unlimited days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 81 days for certified employees and 75 days for classified employees.

**Note 11 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at [ohsers.org](http://ohsers.org).

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$230,624, \$243,152, and \$404,668, respectively; 51.73 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for 2005 and 2004.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2006*

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***B. State Teachers Retirement System of Ohio***

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$903,552, \$950,456, and \$946,848, respectively; 87.22 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$20,432 made by the School District and \$14,847 made by the plan members.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2006*

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**Note 12 - Postemployment Benefits**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$69,504 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$90,472.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2006*

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**Note 13 – Risk Management**

***A. Comprehensive***

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. The District also provides umbrella liability insurance in the amount of \$3,000,000 for each occurrence and \$3,000,000 in the aggregate.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$28,029,309 and \$125,000 in equipment breakdown coverage.

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

***B. Employee Medical Benefits***

The School District has contracted with the Ashtabula County Schools Council of Governments to provide employee medical/surgical, prescription drug, dental and vision benefits. The Ashtabula County Schools Council of Governments is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County school districts. Rates are set by the Ashtabula County Schools Council of Governments board of directors. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Ashtabula County Schools Council of Governments is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council of Governments. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the School District. The School District is not liable nor receives a cash balance of past claims upon departure from the pool.

***C. Workers' Compensation***

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2006*

Fund.” This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Note 14 – Notes and Long-Term Debt**

A summary of changes in long-term obligations for the year ended June 30, 2006, are as follows:

<b>Governmental-Type Activities</b>	Principal Outstanding 6/30/05	Additions	Deductions	Principal Outstanding 6/30/06	Amounts due in One Year
<b>General Obligation Bonds</b>					
<i>2006 Ohio School Facilities Bonds:</i>					
Current Interest Serial Bonds	\$0	\$9,005,000	\$0	\$9,005,000	\$820,000
Current Interest Term Bonds	0	11,255,000	0	11,255,000	0
Unamortized Premium	0	1,047,273	36,456	1,010,817	0
Capital Appreciation Bonds	0	689,979	0	689,979	0
Accretion on Capital Appreciation Bonds	0	44,546	0	44,546	0
<b>Total General Obligation Bonds</b>	<b>0</b>	<b>22,041,798</b>	<b>36,456</b>	<b>22,005,342</b>	<b>820,000</b>
<b>Other Long-Term Obligations:</b>					
Energy Conservation Note	370,000	0	40,000	330,000	40,000
Asbestos Removal Note	28,196	0	11,277	16,919	11,276
Compensated Absences	1,347,392	141,804	73,971	1,415,225	108,706
<b>Total Other Long-Term Obligations</b>	<b>1,745,588</b>	<b>141,804</b>	<b>125,248</b>	<b>1,762,144</b>	<b>159,982</b>
<b>Total Long-Term Obligations</b>	<b>\$1,745,588</b>	<b>\$22,183,602</b>	<b>\$161,704</b>	<b>\$23,767,486</b>	<b>\$979,982</b>

On August 10, 2005, the District issued \$20,949,979 in classroom facilities bonds for the construction of new schools. The bonds were issued for a twenty-six year period, will mature on December 1, 2031 and will be paid using tax revenue from the debt service fund. The bond issue included \$9,005,000 in serial bonds, \$11,255,000 in term bonds and was issued at a premium of \$1,047,273.

The 2006 general obligation bonds include capital appreciation bonds. This year the addition on these bonds aggregating \$44,546 represents the accretion of discounted interest. The final maturity of these bonds is \$1,115,000.

Under the Asbestos Schools Hazard Abatement Act of 1984, the District received a loan of \$202,876 to assist in an asbestos removal project. The repayment schedule for the loan portion is \$5,638 every six months, with the first payment made in June 1991 and the final amount due December 2008.

The District issued Energy Conservation Notes in the amount of \$600,000 on March 3, 1998. The notes mature in December 2012 and have an average interest rate of 5.125 percent.

Compensated absences will be paid from the general fund and the food service, EMIS and Title I special revenue funds.

The School District's overall legal debt margin was \$1,265,445 with an unvoted debt margin of \$212,916 at June 30, 2006. Principal requirements to retire general obligation debt and long-term notes outstanding at June 30, 2006, are as follows:

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2006*

Fiscal Year Ending June 30,	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$820,000	\$919,780	\$1,739,780	\$0	\$0	\$0
2008	380,000	901,780	1,281,780	0	0	0
2009	390,000	890,230	1,280,230	0	0	0
2010	495,000	875,718	1,370,718	0	0	0
2011	510,000	858,130	1,368,130	0	0	0
2012 - 2016	1,840,000	4,138,030	5,978,030	689,979	425,021	1,115,000
2017 - 2021	3,710,000	3,432,525	7,142,525	0	0	0
2022 - 2026	4,745,000	2,380,650	7,125,650	0	0	0
2027 - 2031	5,990,000	1,105,448	7,095,448	0	0	0
2032	1,380,000	34,500	1,414,500	0	0	0
<b>Total</b>	<b>\$20,260,000</b>	<b>\$15,536,791</b>	<b>\$35,796,791</b>	<b>\$689,979</b>	<b>\$425,021</b>	<b>\$1,115,000</b>

Fiscal Year Ending June 30,	Energy Conservation Note			Asbestos Removal Note		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$40,000	\$15,888	\$55,888	\$11,276	\$0	\$11,276
2008	45,000	13,709	58,709	5,643	0	5,643
2009	45,000	11,403	56,403	0	0	0
2010	45,000	9,097	54,097	0	0	0
2011	50,000	6,662	56,662	0	0	0
2012 - 2013	105,000	5,509	110,509	0	0	0
<b>Total</b>	<b>\$330,000</b>	<b>\$62,268</b>	<b>\$392,268</b>	<b>\$16,919</b>	<b>\$0</b>	<b>\$16,919</b>

**Note 15 – Jointly Governed Organizations**

**Northeast Ohio Management Information Network (NEOMIN)** NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2006. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained by contacting the Trumbull County Educational Service Center, 347 Park Avenue, Warren, Ohio 44481.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2006*

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**Ashtabula County Schools Council of Governments** The District's Superintendent is a member of the governing board of the Ashtabula County Schools Council of Governments, a separate entity formed for the purpose of purchasing health insurance. The District has no ongoing financial interest or financial responsibility to the Council of Governments other than via participation by purchasing health insurance.

**Ashtabula County Joint Vocational School District** The Ashtabula County Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the participating School Districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The School District did not make any contributions in fiscal year 2006. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

**Note 16 – Insurance Purchasing Pool**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Note 17 – Contingencies**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

**B. Litigation**

The District is a defendant in a lawsuit filed in February of 2003 for injuries to a student that occurred during a bus accident in August of 1987. The District does not foresee any material effect on the financial statements resulting from this litigation.

**Note 18 – Statutory Reserves**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2006*

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of June 30, 2005	\$154,786	\$0	\$1,922
Current Year Set-Aside Requirement	303,337	303,337	0
Qualifying Disbursements	(39,449)	(729,647)	0
Current year offsets	<u>0</u>	<u>(419,589)</u>	<u>0</u>
Total	<u>\$418,674</u>	<u>(\$845,899)</u>	<u>\$1,922</u>
Set-Aside Balance Carried Forward to			
Future Fiscal Years	<u>\$418,674</u>	<u>\$0</u>	<u>\$1,922</u>
Cash balance as of June 30, 2006	<u>\$418,674</u>	<u>\$0</u>	<u>\$1,922</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$420,596.

**Note 19 – Operating Lease**

The District entered into a lease for copy machines commencing May 2004 for 60 months. Total expenditures on this lease for the year ended June 30, 2006 were \$11,976. Future minimum payments for the lease are as follows:

<u>Fiscal Year Ending June 30,</u>	
2007	\$11,976
2008	11,976
2009	<u>10,978</u>
Total	<u>\$34,930</u>

**Note 20 – Accountability and Compliance**

**A. Accountability**

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Management Information Systems	\$285
Poverty Based Assistance	181
Title I	64,394
Title V	7,375
Miscellaneous Federal Grants	4,383



**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2006*

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

**B. Compliance**

The following funds had original and final appropriations plus carryover encumbrances in excess of estimated resources plus unencumbered fund balance contrary to Section 5705.39, Ohio Revised Code:

Fund	Original	Final
Other Grants Fund	\$19	\$1,705
Auxiliary Services Fund	1,100	1,100
Management Information Systems Fund	5,142	242
SchoolNet Professional Development Fund	3,622	6,922
Ohio Reads Fund	33,900	11,126
Student Intervention Fund	1,965	1,965
Title III - Limited English Proficiency Fund	723	0
Title I Fund	213,703	213,703
Title V - Innovative Programs Fund	5,206	6,019
Drug Free Schools Grant Fund	17,207	11,749
Improving Teacher Quality Fund	42,163	50,213
Miscellaneous Federal Grants Fund	10,661	12,616
Building Fund	0	23,028

The following funds had expenditures plus encumbrances in excess of final appropriations contrary to Section 5705.41(B), Ohio Revised Code. Amounts represent total expenditures in excess of final appropriations plus carryover encumbrances.

Fund	Excess
Food Service Fund	\$14,463
Classroom Facilities Maintenance Fund	1,756
Management Information Systems Fund	2,535
Student Intervention Fund	25,547
Poverty Aid Fund	37,779
Title I Fund	56,074
Title V - Innovative Programs Fund	2,227
Debt Service Fund	469,330

**Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Education  
Jefferson Area Local School District  
Jefferson, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area Local School District (the "District"), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2010, wherein we noted that the District adopted *Governmental Accounting Standards Board (GASB) Statement Nos. 42, 46, and 47*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2006-4 through 2006-8.

Board of Education  
Jefferson Area Local School District

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted the following deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, 2006-4 through 2006-8.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed findings 2006-1 through 2006-5 of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated March 29, 2010.

This report is intended solely for the information and use of the Board of Education, Management, the Auditor of State's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cini & Parichi, Inc.*

Cleveland, Ohio  
March 29, 2010

**Report on Compliance with Requirements Applicable to  
Each Major Program and Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

Board of Education  
Jefferson Area Local School District  
Jefferson, Ohio

**Compliance**

We have audited the compliance of the Jefferson Area Local School District (the “District”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The District’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

### **Internal Control over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

A *control deficiency* in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2006, and have issued our report thereon dated March 29, 2010, wherein we noted that the District implemented *GASB Statement Nos. 42, 46, and 47*.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the District's basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, Management, the Auditor of State's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Cimini & Panichi, Inc.*

Cleveland, Ohio  
March 29, 2010

# Jefferson Area Local School District

## Schedule of Expenditures of Federal Awards

For the year ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Non-cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture:						
Passed-Through Ohio Department of Education:						
Food Distribution	10.550	N/A	\$ -	\$ 52,095	\$ -	\$ 51,130
Nutrition Cluster:						
School Breakfast Program	10.553	05-PU-2005	11,404	-	11,404	-
School Breakfast Program	10.553	05-PU-2006	33,925	-	33,925	-
Subtotal National School Breakfast Program			45,329	-	45,329	-
School Lunch Program	10.555	LL-P4-2005	58,613	-	58,613	-
School Lunch Program	10.555	LL-P4-2006	172,889	-	172,889	-
Subtotal National School Lunch Program			231,502	-	231,502	-
Total Nutrition Cluster			276,831	-	276,831	-
Total U.S. Department of Agriculture			276,831	52,095	276,831	51,130
U.S. Department of Education:						
Passed-Through Ohio Department of Education:						
Title I	84.010	C1-S1-2005	(1,382)	-	-	-
Title I	84.010	C1-S1-2006	212,978	-	267,416	-
Total Title I			211,596	-	267,416	-
Safe and Drug Free Schools	84.186	DR-S1-2005	(1,098)	-	-	-
Safe and Drug Free Schools	84.186	DR-S1-2006	8,995	-	12,397	-
Total Safe and Drug Free Schools			7,897	-	12,397	-
Innovative Education Program Strategy	84.298	C2-S1-2005	(962)	-	962	-
Innovative Education Program Strategy	84.298	C2-S1-2006	6,167	-	10,262	-
Total Innovative Education Program Strategy			5,205	-	11,224	-
Enhancing Education Through Technology	84.318	TJ-S1-2005	(9)	-	-	-
Enhancing Education Through Technology	84.318	TJ-S1-2006	1,441	-	7,566	-
Total Enhancing Education Through Technology			1,432	-	7,566	-
Title II-A	84.367	TR-S1-2005	932	-	-	-
Title II-A	84.367	TR-S1-2006	42,851	-	58,216	-
Total Title II-A			43,783	-	58,216	-
Hurricane Education Recovery Act Program	84.938	HR-01-2006	9,750	-	9,750	-
Total U.S. Department of Education			279,663	-	366,569	-
Total Expenditures of Federal Awards			\$ 556,494	\$ 52,095	\$ 643,400	\$ 51,130

The accompanying notes are an integral part of this schedule

# Jefferson Area Local School District

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2006

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## **Note 1: Significant Accounting Policies**

### **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **Child Nutrition Cluster**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.

### **Non-Cash Support**

The District receives non-cash support in the form of food subsidies from the National School Lunch Program ("NSLP"), CFDA 10.550. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

CFDA – Catalog of Federal Domestic Assistance

# Jefferson Area Local School District

Schedule of Findings  
OMB Circular A-133 Section .505

June 30, 2006

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## 1. Summary of Auditors' Results

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Was there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(I)(ii)	Were there any other material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .501?	No
(d)(I)(vii)	Major Programs	Food Distribution CFDA No. 10.550 Title I CFDA No. 84.010 Title II-A CFDA No. 84.367
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No



# Jefferson Area Local School District

Schedule Of Findings (Continued)  
OMB Circular A-133 Section .505

June 30, 2006

## 2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Findings	Findings Summary																																										
2006-1	<p><b><i>Material Noncompliance</i></b></p> <p>Per ORC Section 5705.41 (B), no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds had expenditures plus encumbrances in excess of final appropriations:</p> <p>Special Revenue Funds:</p> <table data-bbox="347 764 1284 1016"> <tr> <td>Food Service Fund</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">14,463</td> </tr> <tr> <td>Classroom Facilities Maintenance Fund</td> <td></td> <td style="text-align: right;">1,756</td> </tr> <tr> <td>Management Information Systems Fund</td> <td></td> <td style="text-align: right;">2,535</td> </tr> <tr> <td>Student Intervention Fund</td> <td></td> <td style="text-align: right;">25,547</td> </tr> <tr> <td>Poverty Aid Fund</td> <td></td> <td style="text-align: right;">37,779</td> </tr> <tr> <td>Title I Fund</td> <td></td> <td style="text-align: right;">56,074</td> </tr> <tr> <td>Title V – Innovative Programs Fund</td> <td></td> <td style="text-align: right;">2,227</td> </tr> <tr> <td>Debt Service Fund</td> <td></td> <td style="text-align: right;">769,330</td> </tr> </table>	Food Service Fund	\$	14,463	Classroom Facilities Maintenance Fund		1,756	Management Information Systems Fund		2,535	Student Intervention Fund		25,547	Poverty Aid Fund		37,779	Title I Fund		56,074	Title V – Innovative Programs Fund		2,227	Debt Service Fund		769,330																		
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2006-2	<p><b><i>Material Noncompliance</i></b></p> <p>Per ORC Section 5705.39, total appropriations from each fund shall not exceed the total estimated revenue. The following funds had original and final appropriations plus carryover encumbrances in excess estimated resources:</p> <table data-bbox="347 1234 1284 1703"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Original</u></th> <th style="text-align: center;"><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Other Grants Fund</td> <td style="text-align: right;">\$ 19</td> <td style="text-align: right;">\$ 1,705</td> </tr> <tr> <td>Auxiliary Services Fund</td> <td style="text-align: right;">1,100</td> <td style="text-align: right;">1,100</td> </tr> <tr> <td>Management Information Systems Fund</td> <td style="text-align: right;">5,142</td> <td style="text-align: right;">242</td> </tr> <tr> <td>SchoolNet Professional Development Fund</td> <td style="text-align: right;">3,622</td> <td style="text-align: right;">6,922</td> </tr> <tr> <td>Ohio Read Fund</td> <td style="text-align: right;">33,900</td> <td style="text-align: right;">11,126</td> </tr> <tr> <td>Student Intervention Fund</td> <td style="text-align: right;">1,965</td> <td style="text-align: right;">1,965</td> </tr> <tr> <td>Title III – Limited English Proficiency Fund</td> <td style="text-align: right;">723</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Title I Fund</td> <td style="text-align: right;">213,703</td> <td style="text-align: right;">213,703</td> </tr> <tr> <td>Title V – Innovative Programs Fund</td> <td style="text-align: right;">5,206</td> <td style="text-align: right;">6,019</td> </tr> <tr> <td>Drug Free School Grant Fund</td> <td style="text-align: right;">17,207</td> <td style="text-align: right;">11,749</td> </tr> <tr> <td>Improving Teacher Quality Fund</td> <td style="text-align: right;">42,163</td> <td style="text-align: right;">50,213</td> </tr> <tr> <td>Miscellaneous Federal Grants Fund</td> <td style="text-align: right;">10,661</td> <td style="text-align: right;">12,616</td> </tr> <tr> <td>Building Fund</td> <td style="text-align: right;">-</td> <td style="text-align: right;">23,028</td> </tr> </tbody> </table>		<u>Original</u>	<u>Final</u>	Other Grants Fund	\$ 19	\$ 1,705	Auxiliary Services Fund	1,100	1,100	Management Information Systems Fund	5,142	242	SchoolNet Professional Development Fund	3,622	6,922	Ohio Read Fund	33,900	11,126	Student Intervention Fund	1,965	1,965	Title III – Limited English Proficiency Fund	723	-	Title I Fund	213,703	213,703	Title V – Innovative Programs Fund	5,206	6,019	Drug Free School Grant Fund	17,207	11,749	Improving Teacher Quality Fund	42,163	50,213	Miscellaneous Federal Grants Fund	10,661	12,616	Building Fund	-	23,028
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2006-3	<p><b><i>Material Noncompliance</i></b></p> <p>Ohio Revised Code Section 117.38 requires all public offices to file a financial report for each fiscal year. GAAP basis entities must file annual reports within 150 days. The Auditor of State may prescribe forms by rule or may issue guidelines, for such reports. If the Auditor of State has not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. Any public office which does not file the</p>																																										

# Jefferson Area Local School District

Schedule Of Findings (Continued)  
OMB Circular A-133 Section .505

June 30, 2006

	<p>report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars.</p> <p>Also, the public office must publish a notice in the local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.</p> <p>For the year ended June 30, 2006, the School District did not file an annual report with the Auditor of State's office within 150 days and did not publish a notice in the paper.</p> <p>We recommend that the School District comply with the above-mentioned code section and file their annual report timely and publish notice in the paper.</p> <p><b>Management's Response:</b></p> <p>This will be corrected in the future. As a result of the date of the prior audit, these items have not been corrected. The first year the report can be filed timely with the Auditor of State's office will be fiscal year ending June 30, 2009. The notice in the paper will be released of fiscal year ending June 30, 2010.</p>
2006-4	<p><b><i>Material Noncompliance – Significant Deficiency/Material Weakness – Athletic Event Receipts</i></b></p> <p>Ohio Revised Code (ORC) Section 149.351 states that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by ORC Sections 149.38 through 149.42.</p> <p>Individual ticket sales reports are used by the Athletic Department to account for tickets sold for individual athletic events. These reports document the number of tickets sold at each price level, the total amount received for each athletic event, cash over/shortage, and signature of ticket collector.</p> <p>The District could not locate ticket sales reports for the athletic events. The District has a policy in place which requires the completion of all ticket sales reports. The policy also requires all ticket sales with any other supporting documentation be forwarded to the Treasurer's Office for review.</p> <p>The Athletic Director did not maintain the pay-in orders and corresponding receipts for gate revenue remitted to the Treasurer. Instituting procedures and control over athletic gate receipts will help ensure all revenue is properly recorded, and any errors will be detected in a timely manner.</p> <p>Ticket sales and supporting documentation should be maintained and forwarded to the Treasurer's office in order to comply with District policy.</p> <p><b>Management's Response:</b></p> <p>This will be corrected as soon as possible. Based on the release timing of the previous audit, the prior recommendations could not be implemented until the fiscal year ended June 30, 2008 at the earliest.</p>

# Jefferson Area Local School District

Schedule Of Findings (Continued)  
OMB Circular A-133 Section .505

June 30, 2006

2006-5	<p><b><i>Material Noncompliance – Significant Deficiency/Material Weakness</i></b></p> <p>Ohio Revised Code Section 3315.17 and 3315.18 require every city, local, exempted village, and joint vocational school district to establish two reserves, one for textbooks and instructional materials and one for capital (acquisition) and maintenance. The reserves are to be accounted for in the General Fund using any reasonable accounting method.</p> <p>The School District did not establish the reserve accounts in the General Fund (using special cost centers), contrary to the above mentioned ORC and local requirements.</p> <p>We recommend the District establish the required reserve accounts within the General Fund.</p> <p><b>Management’s Response:</b></p> <p>The cost centers will be established as soon as possible. Based on the release of the previous audit, the earliest they can be established is fiscal year ending June 30, 2008.</p>
2006-6	<p><b><i>Significant Deficiency/Material Weakness</i></b></p> <p>The District was not properly reconciling their bank statements with their system; therefore, they were overstating fund balances by approximately \$838,000. Management contracted with a third party to perform reconciliations for the year under audit to correct the misstatement.</p>
2006-7	<p><b><i>Significant Deficiency/Material Weakness</i></b></p> <p>Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p>The following audit adjustments were made to the financial statements, and where applicable, to the District’s accounting records:</p> <ol style="list-style-type: none"> <li>1. Adjusted construction in progress by \$376,294 for amounts that were not originally recorded.</li> <li>2. Adjusted accounts payable by \$118,968 for amounts that were not originally recorded.</li> <li>3. Decreased intergovernmental receivable and deferred revenue by \$1,068,646 for amounts that were originally recorded related to Ohio Schools Facility Commission monies that were not actually received.</li> <li>4. Decreased cash by \$1,411,449 to reflect improper recording of deposits in transit and debt issuance costs.</li> <li>5. Decreased invested in capital, net of related debt by \$268,214 to reflect related audit adjustments.</li> </ol> <p>The lack of controls over the posting of year-end financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.</p>

# Jefferson Area Local School District

Schedule Of Findings (Continued)  
OMB Circular A-133 Section .505

June 30, 2006

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	<p>We recommend the District adopts policies and procedures for controls over recording of year-end financial transactions and over financial report to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data at year-end. Although the District has contracted a third party to perform their GAAP Conversion, the District's management needs to review the statements to be sure that all items are being properly recorded. As a significant portion of the adjustments related to the construction projects with the Ohio Schools Facilities Commission, it is also recommended that a person is designated to monitor these expenses regularly and be sure that all contractors' payments are up to date.</p>
2006-8	<p><b><i>Significant Deficiency/Material Weakness – Approval of Student Activities</i></b></p> <p>Student Activity Policy (6610) was adopted by the Board to establish financial controls for the administration of the activities of the student body organization. The Policy further instructed the Superintendent to implement administrative guidelines to ensure that all student activity funds are managed, recorded, and deposited in accordance with law and sound fiscal practice.</p> <p>The District failed to maintain sufficient documentation for the collection of monies to help support amounts deposited with the Treasurer's office.</p> <p>We recommend that management strictly enforce the mandates that have been adopted. Advisors should not start activities until the Board of Education and Superintendent approve the Anticipated Activity Budget. School Principals and Superintendent should approve the Sales/Service Project Reports after the report is completed and by the Activity Advisor.</p> <p><b>Management's Response:</b></p> <p>The recommendation was implemented in fiscal year ending June 30, 2008.</p>

### 3. Findings for Federal Awards

There were no findings for federal awards to report in 2006.

## Jefferson Area Local School District

Schedule of Prior Audit Findings  
OMB Circular A-133 Section .315(b)

June 30, 2006

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<b>Findings</b>	<b>Findings Summary</b>	<b>Corrected</b>	<b>Responsible Contact Person; Not Corrected, Partially Corrected</b>
2005-1	Treasurer's salary overpayment.	Yes	Edward Williams, Treasurer
2005-2	Per ORC Section 117.38, the District should file annual report on a timely basis, within 150 days of year end.	No	Edward Williams, Treasurer; The District will become caught up with their fiscal audits by fiscal year 2010.
2005-3	Per ORC Section 149.351, athletic records not kept for audit.	No	Edward Williams, Treasurer
2005-4	Per ORC Section 3315.17 and 3315.18, reserve funds support documentation was not maintained.	No	Edward Williams, Treasurer
2005-5	Per ORC Section 5705.10(H), District funds had negative cash balances which indicates that money from one fund was used to cover the expenses of another fund.	Yes	Edward Williams, Treasurer
2005-6	Per ORC Section 5705.41(B), the District is prohibited from making expenditures unless it has been properly appropriated.	No	Edward Williams, Treasurer
2005-7	The District was not reconciling the bank accounts timely or accurately.	No	Edward Williams, Treasurer; Repeat comment
2005-8	Board policies regarding student activities were not being followed.	No	Edward Williams, Treasurer
2005-9	Federal award cash management procedures were not in compliance.	Yes	Edward Williams, Treasurer

**Jefferson Area Local School District**

**45 E. Satin Street  
Jefferson, Ohio 44047**

**440-576-9180**

**Response To Findings Associated With Audit Conducted  
In Accordance With *Government Auditing Standards***

June 30, 2006

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2006-1	Edward Williams, Treasurer, will monitor actual expenditures more closely, to ensure they do not exceed the budgeted amounts.	Fiscal year 2007	Edward Williams, Treasurer
2006-2	Edward Williams, Treasurer, will monitor budgeting process more closely, to ensure the appropriation plus prior year encumbrances do not exceed estimated resources.	Fiscal year 2007	Edward Williams, Treasurer
2006-3	Edward Williams, Treasurer, will monitor GAAP conversion to be sure that it is completed timely.	Fiscal year 2009	Edward Williams, Treasurer
2006-4	Edward Williams, Treasurer, will ensure that documentation and support is maintained.	Fiscal year 2008	Edward Williams, Treasurer
2006-5	Edward Williams, Treasurer, will create the reserve accounts in the General Fund.	Fiscal year 2008	Edward Williams, Treasurer
2006-6	Edward Williams, Treasurer, will reconcile cash on a more regular basis.	Fiscal year 2007	Edward Williams, Treasurer
2006-7	Edward Williams, Treasurer, will monitor GAAP conversion more closely.	Fiscal year 2007	Edward Williams, Treasurer
2006-8	Edward Williams, Treasurer, will ensure that Student Activities are following Board policy.	Fiscal year 2008	Edward Williams, Treasurer



**Mary Taylor, CPA**  
Auditor of State

**JEFFERSON AREA LOCAL SCHOOL DISTRICT**

**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 8, 2010**